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MULTIMEDIA UNIVERSITY

FINAL EXAMINATION

TRIMESTER 1, 2022/2023 (TERM 2215)

DTX5014 – TAXATION 1

(All Sections/Groups)

21 DECEMBER 2022

9.00 a.m – 12.00 p.m

3 Hours

INSTRUCTIONS TO STUDENT

1. This question paper consists of 11 pages with 4 questions.
2. Attempt **ALL** questions. The distribution of the marks for each question is given.
3. Please write all your answers in the Answer Booklet provided.

QUESTION 1**Part A**

The following information was provided by Vitara Sdn. Bhd. in year 2020 and 2021:

	YA2020 RM	YA2021 RM
Gross income	123,700	186,400
Interest income from Edu Bank	6,300	-
Expenditure	112,400	147,200
Capital allowances	19,800	15,100
Unabsorbed capital allowances from previous year	36,200	-
Balancing charge	-	30,000

Additional information:

The total expenditure incurred consists of the following:

	YA2020 RM	YA2021 RM
Depreciation	26,500	32,300
Cash donation to approved institution	10,600	9,900
Donation of computers to approved institution	8,200	-

Required

Calculate the Chargeable Income of Vitara Sdn. Bhd. for the years of assessment (YA) 2020 and 2021 on the basis that the company makes all necessary claims to maximize its deductions. (13.5 marks)

Part B

Putri, a Malaysian tax resident, heir a bungalow which was built 40 years ago on half-acre of land in Melaka from his late father in year 2012. She has lived in the house ever since. However, after she gets married, she decided to stay with her husband in Kuala Lumpur and rent the house for the first time to Pure Heart Berhad, a SME company which operates a kindergarten in January 2022. The monthly rental is RM3,800 and 2-months refundable deposit from the monthly rental amount.

On 1 March 2022, Putri provided a rental rebate of RM1,200 for four months to respond to the government's encouragement for rental reduction to help SME industries. Putri incurred the following expenses for the bungalow as of 31 December 2022:

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	RM
Cost of obtaining new tenant	320
Deposit (water and electricity)	400
Quit rent and assessment - Year 2021	560
- Year 2022	560
Penalty of late payment of quit rent	170
Renovation to kitchen	15,000
Plumbing repairs	580
Replacement of damage tiles	8,400
Installation of 5 units of new air-conditioner	10,000
Repairing broken toilet	4,500
Replacement of new doors (improved quality)	6,700
Fire insurance	2,300
Repainting the wall	13,700

Required

- a) Compute the percentage of rental reduction. (1 mark)
- b) Compute the adjusted income for the rental. (9.5 marks)
- c) Compute the income tax payable for Putri for YA2022. (1 mark)

(Total: 25 marks)

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QUESTION 2

Following is Ms. Dendra report of stay in Malaysia from 2013 until 2021:

YA	Basis period	Remarks
2013	4/4/2013 – 16/8/2013	Malaysia
	5/9/2013 – 30/9/2013	Vacation in Italy
	1/10/2013 – 31/12/2013	Malaysia
2014	1/1/2014 – 20/3/2014	Malaysia
	1/7/2014 – 21/8/2014	Malaysia
2015	24/5/2015 – 31/7/2015	Malaysia
	1/8/2015 – 18/8/2015	Thailand
	19/8/2015 – 22/9/2015	Malaysia
2016	1/1/2016 – 1/3/2016	Malaysia
	3/12/2016 – 31/12/2016	Malaysia
2017	27/1/2017 – 6/3/2017	Malaysia
	10/10/2017 – 30/11/2017	Singapore
	21/12/2017 – 31/12/2017	Malaysia
2018	1/1/2018 – 21/1/2018	Seminar in Japan
	22/1/2018 – 3/2/2018	Visit parents in India
	4/2/2018 – 4/8/2018	Malaysia
2019	6/2/2019 – 30/3/2019	Malaysia
2020	1/1/2020 – 28/3/2020	Malaysia
	2/7/2020 – 31/12/2020	Social visit in Kelantan
2021	1/1/2021 – 15/2/2021	Malaysia

Required

- Determine the tax residence status of Ms. Dendra for the YA2013 until 2021.
Give reasons and quote the relevant provisions of the Income Tax Act 1967 (as amended) to support your answer. (20.5 marks)
- Based on your answer in (a), explain the tax treatment imposed on Ms. Dendra in YA2021. (2 marks)
- How would your answer in (b) change if Ms. Dendra is a non-resident in Malaysia? Explain. (2.5 marks)

(Total: 25 marks)

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QUESTION 3**Part A**

Mdm. Abigail, a Malaysian tax resident started her work as an internal auditor for Zerome Berhad on 1 January 2015. On 1 May 2021, she is newly promoted to be a finance manager with no shareholdings in the company. The followings are the employment remuneration benefits received by Mdm. Abigail from 1 January 2021 until 31 December 2021, otherwise stated:

	RM
Monthly salary (1 Jan – 30 April)	12,500
Bonus	14,800
Entertainment allowance	9,600
Travelling allowance from home to office	8,600
Meal allowance	2,700
Childcare allowance	5,200
New car at cost	75,000
Petrol	6,000
Part time driver	470 per month
Service excellence award	2,500
Fully furnished apartment (1 May – 31 Dec)	-
Broadband subscription fee	5,100
Individual professional subscription (info 4)	-
Personal computer for office use	5,800
Life insurance premium	3,400
Leave passage for travel (info 5)	45,700
Dental treatment	450
Mobile phone bills	960

Additional information:

1. Mdm. Abigail receives a salary increment for her promotion as a finance manager by 40% from her previous receipts. (starting from 1 May 2021).
2. Mdm. Abigail has just delivered a baby which is currently 3-months old which sent to a childcare centre during workdays.
3. Car, petrol, and a driver were provided to Mdm. Abigail from 1 May 2021.

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4. Individual professional subscription fees include:
 - i. Annual membership fee of RM1,300.
 - ii. Monthly fees of RM420.
5. Mdm. Abigail went to the following places with her husband and a baby:
 - i. Malaysia (meals: RM750, accommodation: RM1,500, and transportation: RM760)
 - ii. Outside Malaysia (meals: RM2,300, accommodation: RM4,400, and transportation: RM12,900.
6. Monthly rental of the fully furnished apartment was paid by the company for RM5,800 per month including furniture of RM670 per month.
7. Mdm. Abigail spend three-quarters of the entertainment allowance to entertain the company's clients.

Required

Compute the Statutory Income from Employment of Mdm. Abigail for YA2021. Round up your answer to the nearest Ringgit Malaysia (RM). (18 marks)

Part B

Compute the tax payable for each 'person' in the following events:

1. Mocca Berhad has a paid-up capital of RM2.38 million during its commencement on 1/10/2020. During YA2021, the company's adjusted income was RM643,444. The company has a balancing charge of RM11,800 and claims for capital allowance of RM22,200.
2. Bala stays in Malaysia for 200 days in YA2021 and receives a salary of RM86,400 during the year and 0.75 months' bonus. Besides, he also receives an interest from MBC Bank for fixed deposit of RM8,000.
3. Livian lived in Penang for 178 days in YA2021. During the year, she receives RM122,100.

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4. Harbour Sdn. Bhd.'s paid-up capital is RM2.55 million on 1/2/2020. In the year 2021, the company had a chargeable income of RM458,230 excluding single-tier dividend income of RM23,100.

(7 marks)

(Total: 25 marks)

QUESTION 4

Mr. Kiong and Ms. Lee have been married for 25 years. They are employed since they were completing their bachelor's degree. The couple have 4 children aged between 12 to 22 years old. Following is the information on their income and expenditure throughout the year 2021:

	Mr. Kiong (RM)	Ms. Lee (RM)
Salary	237,800	187,200
Rental income	13,800	-
EPF	5,600	3,760
Contribution to SOCSO	580	240
Life insurance	3,400	800
Medical and education insurance	4,470	1,000
Deposit in SSPN	750	1,600
Medical examination (serious disease)	2,000	-
Laptop for personal use	6,400	3,600
Medical treatment	2,500	4,300
Parents:		
Medical treatment	3,700	6,800
Carer expenses	4,000	5,000
Children:		
i. Lizzy	3,000	
ii. Vicky	12,000	
iii. Windy		3,200
iv. Jason		1,800
Books	-	780
Newspaper subscription	-	1,200
Sport shoes and tennis racket	650	-
Smart television (Smart TV)	-	4,200

Additional information:

- Mr. Kiong and Ms. Lee are Malaysian tax residents in YA2021 where Mr. Kiong is a disability cardholder due to his one-eye blindness.

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2. Ms. Lee receives 1.5-months bonus in year 2021.
3. Monthly tax deduction in YA2021 for Mr. Kiong is RM2,500, meanwhile Ms. Lee is RM1,800.
4. The children:
 - i. Lizzy – Age 22 years old, unmarried and working.
 - ii. Vicky – Age 18 years old, unmarried and studying at UiTM Arau, Perlis.
 - iii. Windy – Age 14 years old, receiving full education in secondary school.
 - iv. Jason – Age 8 years old, receiving full education in primary school.

Required

Based on the information given, compute the income tax payable in YA2021 if Mr. Kiong and Ms. Lee elects for separate assessment. (25 marks)

(Total: 25 marks)

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APPENDIX

The following rates and allowances are to be used in answering all questions:

(a) Rates of tax for year of assessment 2021:

- (i) Resident company Paid up capital >RM2.5million : 24%
 Paid up capital <RM2.5million:
 First RM600,000: 17%
 Excess : 24%
- (ii) Non-resident company 24%
- (iii) Non-resident individual 30%
- (iv) Resident individuals:

Chargeable Income (RM)		Rate %	Tax payable (RM)
On the first	5,000	0	0
On the next	<u>15,000</u>	1	<u>150</u>
On the first	20,000		150
On the next	<u>15,000</u>	3	<u>450</u>
On the first	35,000		600
On the next	<u>15,000</u>	8	<u>1,200</u>
On the first	50,000		1,800
On the next	<u>20,000</u>	13	<u>2,600</u>
On the first	70,000		4,400
On the next	<u>30,000</u>	21	<u>6,300</u>
On the first	100,000		10,700
On the next	<u>150,000</u>	24	<u>36,000</u>
On the first	250,000		46,700
On the next	<u>150,000</u>	24.5	<u>36,750</u>
On the first	400,000		83,650
On the next	<u>200,000</u>	25	<u>50,000</u>
On the first	600,000		133,650
On the next	<u>400,000</u>	26	<u>104,000</u>
On the first	1,000,000		237,450
On the next	<u>1,000,000</u>	28	<u>280,000</u>
On the first	2,000,000		<u>517,450</u>
Excess	2,000,000	30	

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(b) Value of benefits in kind – Motor Vehicle and Related Benefits

Cost Of Car When New (RM)	Annual Value Of BIK (RM)	Fuel Per Annum (RM)
Up to 50,000	1,200	600
50,001 - 75,000	2,400	900
75,001 - 100,000	3,600	1,200
100,001 - 150,000	5,000	1,500
150,001 - 200,000	7,000	1,800
200,001 - 250,000	9,000	2,100
250,001 - 350,000	15,000	2,400
350,001 - 500,000	21,250	2,700
500,001 and above	25,000	3,000

(c) Prescribed value of household furnishing, apparatus and appliances.

Category	Types Of BIK	Annual Value Of BIK
(a)	Semi-furnished with furniture in the lounge, dining room or bedrooms.	RM840 (RM 70 per month)
(b)	Semi-furnished with furniture as above and one or more of the following:- air-conditioners, curtains and carpets.	RM1,680 (RM 140 per month)
(c)	Fully-furnished with benefits as above plus one or more of the following:- kitchen equipment, crockery, utensils and appliances.	RM3,360 (RM 280 per month)
(d)	Service charges and other bills such as water and electricity and telephone	Service charge and bills paid by the employer

(d) Prescribed value of other benefits

Item	Types Of BIK	Value Of BIK (RM)
(a)	Gardener	3,600 per annum
(b)	Driver	600 per month
(c)	Domestic servant	4,800 per annum
(d)	Guard	4,800 per annum

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(e) Relief for year assessment 2021:

	PERSONAL RELIEF FOR YA2021	RM
1	Personal deduction	9,000
2	Disable taxpayer (additional relief)	6,000
3	Parent – medical treatment, special needs and carer expenses	8,000
4	Basic supporting equipment for disabled person	6,000
5	Advancement of learning a) Tertiary level (bachelor degree) b) Master and PhD c) Upskill or self-advancement course	7,000 1,000
6	a) Medical expenses (i) Treatment for serious disease (ii) Undergoing fertility treatment (iii) Vaccination (up to RM1,000) b) (i) Complete medical examination (ii) Covid-19 test (iii) Mental health examination or consultation (within threshold of RM8,000)	8,000 1,000
7	Deposit in SSPN for child's education	8,000
8	Contribution to SOCSO	250
9	Lifestyle relief • Books, journals, magazines, newspaper. • Personal computer, smartphone and tablet. • Sports equipment for approved sports • Internet subscription	2,500
10	Breastfeeding equipment	1,000
11	Child care fees to child care centre, kindergarten (either husband or wife claim)	3,000
12	Local tour – domestic tour package, accommodation and entrance fees	1,000
13	Personal computer, smartphone and tablet	2,500
14	Healthy lifestyle a) Sports equipment for approved sports activity b) Rental or entrance fee to sports facility c) Registration fees for sports competition	500
15	Insurance premium on life a) Government employee on pension b) Others	7,000

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	(i) Life insurance premium	3,000
	(ii) EPF, approved scheme	4,000
16	Education or medical insurance	3,000
17	Deferred annuity, private retirement scheme	3,000
	Child relief either husband or wife claim:	
	a) Disabled child	6,000
18	b) Full time instruction at university, college or other higher education, serving under articleship (child ≥ 18 years old)	8,000
	c) Disabled child studying full time higher education (child ≥ 18 years old)	14,000
	d) Others (child < 18 years old)	2,000
19	Spouse not working, elect joint assessment – wife/ husband relief	4,000
20	Disabled spouse elects for joint assessment or spouse not working	5,000

End of Paper